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## Soviet Spending for Defense: Trends Since 1965 and the Outlook for the 1980s (U)

### Key Judgments

#### Trends in Defense Spending and Programs

When the current Soviet regime took power in the mid-1960s it continued a policy, which probably had begun in the late 1950s or early 1960s, of increasing the commitment of resources to the military forces. Since 1965, Soviet defense expenditures in constant 1970 rubles have increased at a real average annual rate of 4 to 5 percent. Because defense spending grew at about the same rate as the economy as a whole, these expenditures absorbed a relatively constant 11 to 12 percent of the Soviet GNP. This figure reflects defense as it is defined in the United States; under a broader definition, which the Soviets may use, the defense share of GNP was about 1 percent higher. 25X1

The increase in Soviet expenditures on defense between 1965 and 1979 resulted from both a substantial expansion of Soviet military forces and an across-the-board improvement in the quality of weapons and equipment. Total Soviet military manpower increased by 30 percent during those years. The most significant increases in force size took place in Frontal (tactical) Aviation and Ground Forces—especially those along the Sino-Soviet border—and in strategic missile forces. All of the Soviet military services benefited from the introduction of successive generations of major weapons and support systems. 25X1

#### Outlook for Future Defense Spending

Changing economic and political factors make it difficult to forecast Soviet defense programs and expenditures in the 1980s:

- The rate of Soviet economic growth has been slowing and has recently fallen below the rate of growth that we estimate for defense expenditures.
- Energy problems and demographic problems are likely to lead to a further economic slowdown in the 1980s, so that defense activities could begin to consume an increasing share of Soviet resources.

<sup>1</sup> This estimate is presented in ruble terms to reflect the cost of military programs and activities in the USSR. For an alternative measure that reflects the cost of reproducing Soviet military activities in the United States, see *A Dollar Cost Comparison of Soviet and US Defense Activities, 1968-78*. SR 79-10130, October 1979. Secret. 25X1

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- A political succession is imminent, and the potential candidates for the positions appear to hold differing views on resource allocation issues.
- Arms control negotiations now under way could affect the future composition of Soviet military forces and expenditures.

These factors take on particular importance in the light of decisions that Soviet leaders are making now on economic plans for 1981-85. 25X1

Despite these complications, we have sufficient evidence to predict general trends in Soviet defense spending for the next five years or so. This includes information on:

- The Soviet leaders' views of the potential military threats from China the West and of important deficiencies in some of their forces.
- Current Soviet weapon production programs (many of which will continue into the 1980s), weapon development activity (which is continuing at a high level), and the costs of new generations of major Soviet weapon systems (which are increasing).
- Continuing expansion in the Soviet defense industries, which will provide additional capacity for military production in the 1980s. 25X1

On the basis of this information, we believe that Soviet defense spending will continue to increase in real terms at least through 1985. The available evidence indicates that, if the Soviets do not alter their current plans, defense spending probably will continue to grow over the next five years near the rate of the past 15 years. If economic pressures became particularly severe, however, the Soviets could moderate the rate of increase in defense spending by economizing in ways that would have only modest impact on modernization of their forces—by stretching out selected weapon programs for example, or by taking advantage of the limited direct savings made possible by arms control agreements. 25X1

In the longer term, growing economic difficulties may push the Soviet leaders to reexamine their plans with a view to reducing the growth of defense spending. But they will have to weigh their economic concern against their perception of future military requirements and their strong sense of the utility of military power in advancing Soviet policy objectives. Whatever choices they make with regard to defense spending, we think highly unlikely that, even in the longer term, economic difficulties will result in a reversal of the Soviet leaders' longstanding policy of continuing to improve their military capabilities. 25X1

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iv